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Georgia Health Policy Center

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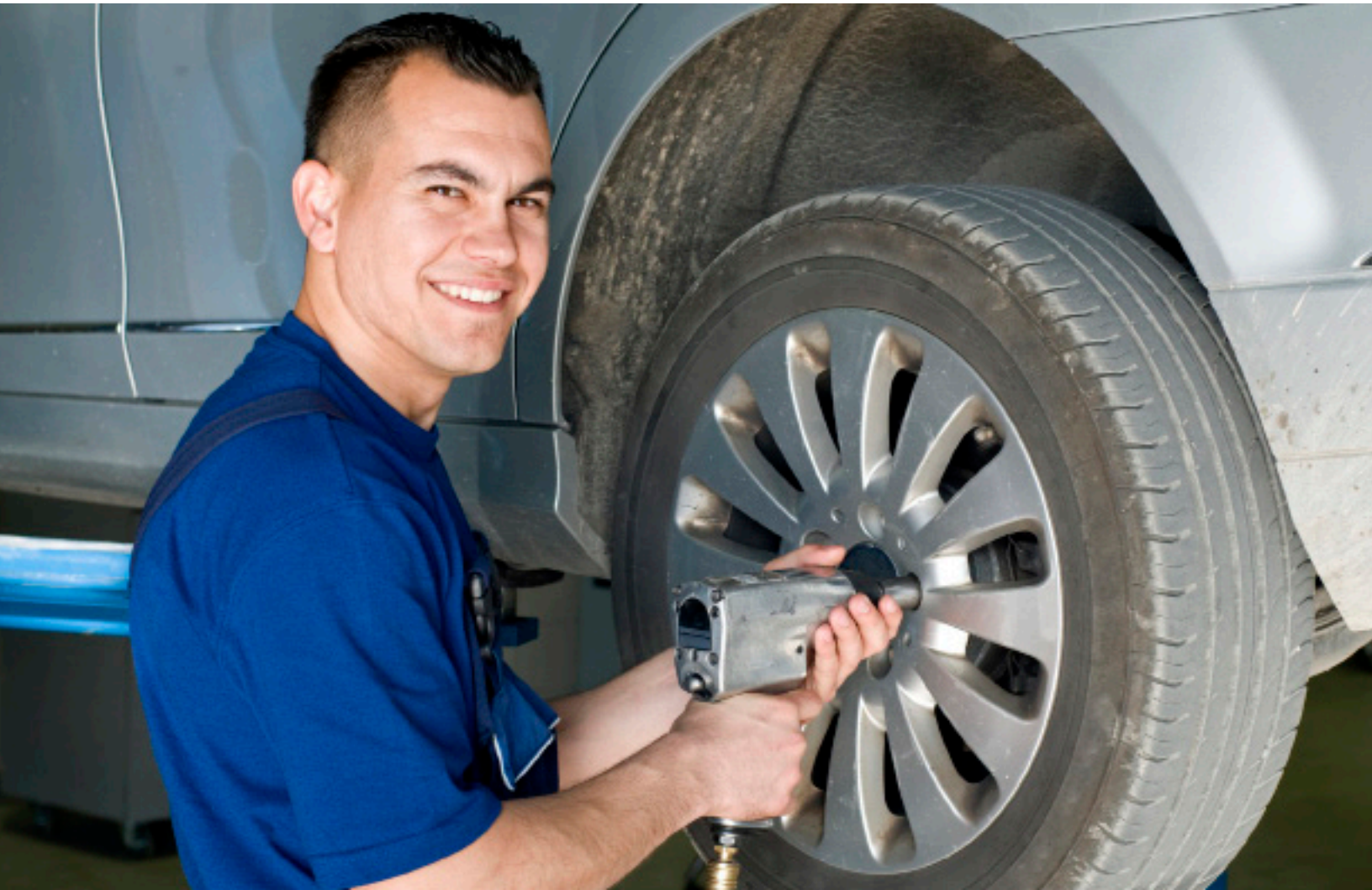


Findings from Small Business Focus Groups: Implications for Health Benefit Exchanges

Between 2003 and 2005, the Georgia Health Policy Center conducted 17 focus groups around the state to understand the perspectives of small business owners and employees about employer sponsored health insurance. In 2003, five focus groups (Albany, Dalton, Decatur, Columbus and Thomson) were conducted with owners of small businesses. In 2004, four focus groups (Atlanta, Valdosta, Macon, and Rome) were held, and in 2005, eight focus groups (four with business owners and four with their employees) were conducted in Atlanta, Dalton, central Georgia (Bibb, Houston, Monroe, Peach counties), and southeast Georgia (Glynn, Camden, and McIntosh counties). Participants in the focus groups represented businesses with two to 46 employees and included service, manufacturing, and retail establishments.

Even though these 17 focus groups spanned three years and represented diverse regions of the state, several consistent themes emerged that are relevant to the state's consideration of health benefit exchanges. They include:

1. *Small business owners and employees shared a universal concern over escalating health care cost.* Employers' response to premium increases was to shop around for lower rates, often resulting in annual changes in insurance providers. In addition to changing insurance companies, these employers reported having made other significant changes in response to premium increases, such as reducing or eliminating some covered benefits, increasing employee contributions toward premiums, and increasing deductibles.

   Employers reported that a barrier to offering insurance coverage was the requirement that a certain percentage of employees must participate in the plan because, in a small firm, non-participation by only a few can disqualify the entire group. In addition, exclusions for pre-existing conditions made plans less appealing to employees who had to contribute toward the cost of their premiums and who were then not able to use the insurance for their most pressing health needs. A lack of good options due to geographic isolation was also cited as both a barrier and a driver of cost.

2. *Small business owners who provided coverage for their employees did so because they viewed their employees as "family" and wanted them to have the security that comes from being insured.* Many of those that did not provide coverage wanted to do so but could not due to the high cost of coverage.

   The small business owners in these focus groups consistently stated that providing health insurance to employees was the "right thing to do". They realized that as young employees mature, they begin having families, and it becomes important to provide health insurance. On the other end of the spectrum, small business owners were also particularly concerned over workers who had been loyal employees for a long period of time, but as they became older, they had greater health needs and it was more difficult to get them insurance.

3. *The cost of carrying the legally required workers' compensation insurance significantly added to many small employers' inability to provide health insurance.* Due to the necessity of having workers' compensation insurance, which is often very expensive, these employers could not afford the additional cost of providing health insurance. In addition, focus group participants reported that their uninsured workers had more claims on their workers' compensation than did workers who had health insurance, setting up a vicious cycle where an increase in claims resulted in an increase in premiums for the workers' compensation insurance.

4. *Small business owners were reluctant to support any method of expanding coverage to the uninsured that would require them to pay more business taxes.* Small businesses were conflicted about how to control the rising cost of health care and expand health insurance coverage to those who were uninsured. They were united in their assertions that their businesses could not bear any further tax burden for expanding coverage to the uninsured, and they were reluctant to embrace any solution that expanded government's role in the administration or regulation of health care. In 2003, when presented with a variety of options for expanding coverage, they:

- universally rejected employer mandates
- reported they would participate in employer purchasing pools in order to expand or lower their cost of coverage
- endorsed a buy-in to the state Medicaid program
- were split on whether or not employer subsidies would be of benefit, but agreed that individual subsidies would not be a feasible approach for covering the uninsured. Those opposed to employer subsidies believed they would result in increased taxes, cost too much to administer, and be open to fraud and abuse. Participants who supported a tax credit perceived it as a means of helping them provide health insurance for their employees.

5. *Employers saw direct benefits to their businesses in being able to offer health insurance and experienced negative consequences for not offering it.* By providing health insurance, they believed they were keeping employees healthier and helping them attract and retain employees who had strong credentials and were dependable, conscientious, and loyal. They noted that not having insurance resulted in lower employee productivity, and their employees put off going to the doctor for primary care, self-medicated, worried about what would happen to them should they get sick, and then accumulated large debts when they did get ill.

In addition, not having access to affordable health insurance made it more difficult for small businesses to compete with larger companies. This inability to compete was compounded by the fact that as small employers, they had to pay considerably more per employee for health coverage than did large employers.

6. *Although cost was the overriding obstacle, other barriers to obtaining or effectively extending coverage exist.* Some business owners reported they did not extend health insurance benefits to their lower-income workers because these employees were often only short-term employees and could not afford to contribute toward the cost of the premiums. In some cases, lower wage employees became interested in having insurance only after being diagnosed with an illness; some had never had insurance and did not understand the importance of it - they went to the emergency room and it was free. In some small businesses, there was a reluctance of employees to contribute toward their own coverage because they preferred to receive salary increases rather than apply the same amount of money toward health insurance.

Participants were mixed in their attitudes about the processing of paperwork as an impediment to providing health insurance. Some were willing to handle the paperwork if they were able to obtain an affordable policy; others were not willing to add any additional administrative costs, especially for hourly wage earners.

7. *Small business owners believed the cost of health care and health insurance would continue to rise because there was no leadership to address the problem.* They believed there was a lack of leadership from business, healthcare professionals, and politicians, and they felt powerless to influence any of the factors affecting health costs. However, despite their resistance to government involvement, these business owners acknowledged that politicians and government would have to play a role in controlling costs and expanding coverage to the uninsured.

The Impact of Health Reform

The Patient Protection and Affordable Care Act (health reform) will impact some of the concerns raised by small businesses in the focus groups summarized above. Below are described some of the ways health reform may address those concerns.

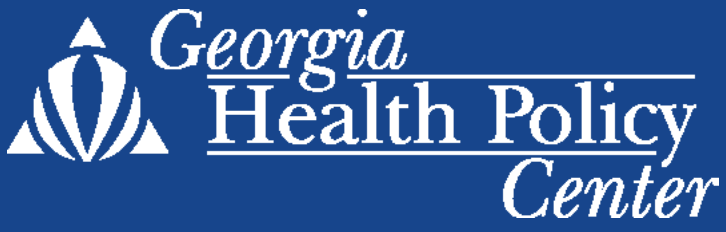
According to the health reform law, all individuals, with some exceptions, will be required to have health insurance coverage in 2014. Health benefit exchanges are intended to facilitate coverage by creating competitive marketplaces for the purchase of health insurance by individuals and small businesses. By pooling risk, the exchanges will create new health insurance purchasing opportunities for previously uninsured individuals and workers at small businesses. Plans offered in the exchanges will be categorized as bronze, silver, gold, or platinum based on each plan's actuarial value, and to ease decision making about different plans, exchanges will provide cost and quality information that encourages "apples to apples" comparisons among plans.

The law intends to affect affordability in a number of ways. It is expected that many uninsured individuals will gain coverage through the expansion of Medicaid to all individuals below 133 percent of poverty, and exchanges will play a role in determining Medicaid eligibility for those who use the exchanges. Individuals between 133 and 400 percent of the federal poverty level will be eligible for sliding scale subsidies to help pay premiums for private coverage purchased through the exchanges. Certain small businesses will be eligible for tax credits through small business exchanges. (Small businesses with less than 26 workers whose average wages are less than $50,000 per year are currently eligible for tax credits if they offer their workers health insurance.) In 2014, pre-existing condition exclusions will no longer be allowed, and deductibles in the small group market will be limited to $2,000 for individuals and $4,000 for families unless they are coupled with a health savings account.

Health benefit exchanges may also have the potential to address small businesses' concerns about competitiveness and employee absenteeism. According to the law, once the exchanges are established workers will be able to access coverage through the individual exchange if their employer does not offer insurance or through the small business exchange if their employer participates, putting small businesses on a more level playing field with large businesses. With coverage, workers are expected to gain access to preventive care and may not wait as long to seek care if they do get sick. According to a Georgia survey conducted to support planning around coverage for the uninsured, uninsured workers are more likely to miss six or more days of work than those with coverage, are less likely to seek preventive care, and are sicker when they finally do seek care.

The ability of health benefit exchanges to ease administrative complexity largely depends on decisions made at the state level. These decisions include whether to create state exchanges or let the federal government create them for the state; organization and governance issues; decisions regarding rating rules; how to manage risk selection; the range of benefit options to offer; bidding processes for insurers to provide benefits packages; and reducing cost and increasing transparency. Other issues include whether the exchange should serve as a market organizer, instead of an active purchaser, or as a market regulator; whether the state should divide itself into regional exchanges or partner with other states in multi-state exchanges; and how they will engage with employers and their workers.

Health benefit exchanges for individuals and small businesses have the potential to address some of the concerns cited by small employers and their workers, largely dependent on implementation decisions made at the state level.



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